



*Delaware Health
And Social Services*

DIVISION OF MANAGEMENT SERVICES

PROCUREMENT

DATE: December 6, 2010

HSS-11-014

Health Care Reform and Benefit Exchange Planning Consultant Services

for

Division of Medicaid and Medical Assistance

Date Due: January 7, 2011
11:00 A.m. ET

ADDENDUM # 2B Project Narrative

PLEASE NOTE:

THE ATTACHED SHEETS HEREBY BECOME A PART OF THE
ABOVE MENTIONED RFP.

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Project Narrative

Introduction

The Patient Protection and Affordable Care Act of 2010 offers many opportunities to expand health care coverage and enhance the delivery of health care services in Delaware. Health Benefit Exchanges, in particular, will provide the foundation for organizing the market and supporting purchasing of coverage for low and moderate income individuals. Thoughtful planning and informed decision-making are crucial to successful implementation.

The goal of this project is to conduct a planning process involving key stakeholders that will enable the State of Delaware to make an informed decision concerning the implementation of a Health Benefit Exchange. Participants will identify the advantages and disadvantages of implementing a State-run Exchange, a regional Exchange, or an exchange administered by the federal government. Recommendations will be submitted to the Governor and a final report detailing these recommendations will be published.

The Division of Medicaid and Medical Assistance (DMMA), in the Department of Health and Social Services, is the designated lead agency for submission of this grant application. Planning and implementation of a Health Benefit Exchange, however, involve the collaboration of many entities. Delaware is positioned to move forward quickly in this regard since the Governor has established a State Health Care Reform Steering Committee under the direction of the Secretary of Health and Social Services. This group includes representation from the Department of Insurance, the Delaware Health Care Commission, the Office of Management and Budget, the Department of Technology and Information, and other stakeholders who will be

involved in the planning and implementation of the health insurance exchanges. Letters of support from these agencies are included in Appendix C.

The mission of the DMMA is to improve health outcomes by ensuring that the highest quality medical services are provided to the vulnerable populations of Delaware in the most cost effective manner. The Delaware Medicaid program implemented a demonstration waiver in 1996 utilizing savings from the introduction of managed care to expand coverage to all adults with incomes below 100% of the federal poverty level. This currently allows Delaware Medicaid to cover approximately 27,000 adults who would otherwise have no health insurance coverage. Over 180,000 Delaware citizens currently receive coverage under the Medicaid program each month with an additional 6,000 children receiving coverage under the Children's Health Insurance Program (CHIP).

Planning Activities

Funding from this grant will be used to explore options available to most effectively provide access to health care coverage for low and moderate income individuals. Proposed activities, described below, will support policy decisions related to development and implementation of an Exchange.

Background Research

Understanding the demographics of the population and the various factors associated with health care coverage in Delaware is fundamental to informed decision-making with respect to a Delaware Health Benefit Exchange.

The Delaware Department of Insurance (DOI) is the regulatory body in the State of Delaware with authority for oversight of the insurance industry and licensure of insurance

companies. There are currently 129 companies domesticated in Delaware. Of these, 38 write life and health insurance coverage and eight (8) are HMO and Health Service Corporations. Ten (10) companies actively market to small employers, with four (4) companies maintaining a predominant role. Five (5) companies actively market to individuals in the state. Legislation enacted in 2009 extended the authority of DOI to review and approve health insurance rates. This legislation grants authority to the Insurance Commissioner to ensure that rate filings are fair and not excessive.

The Delaware Health Care Commission (DHCC) was created by the Delaware General Assembly to develop a pathway to basic, affordable health care for all Delawareans. For two decades the Commission has conducted research and pilot projects to address access, quality, and cost concerns. In collaboration with the University of Delaware Center for Applied Demography and Survey Research, the DHCC publishes annual updated estimates of the uninsured in Delaware using Current Population Survey (CPS) and Behavioral Risk Factor Surveillance System (BRFSS) data. The most recent annual report, *Delawareans without Health Insurance 2008*, reported that 11.2% of Delawareans lacked health insurance in 2008. This measure compares favorably to national and regional rates. However, the fact remains that over 100,000 individuals in the state are estimated to be without health care coverage. Further, while approximately 11.2% of the population is uninsured at any one point, the proportion that is uninsured at some point during the year is projected to be 18.6%. Data from the Survey of Income and Program Participation (SIPP) suggests a median period of six months without coverage.

This last measure, along with estimates that less than one-half of Medicaid enrollees reported Medicaid as their only source of coverage for the year, points to the dynamic nature of

the availability of health coverage. This is especially true of low and moderate income individuals, prospective Exchange consumers, whose access to coverage may be impacted by frequent changes in life circumstances.

Building on this research, the proposed planning effort will focus on vetting the specific needs of Delaware's uninsured population and the intricacies of the Delaware insurance market against the successes and challenges of other health care markets. Existing data on Delaware Medicaid and CHIP utilization will be examined along with projected impacts of program expansions to assess inter-relationships between government administered programs and private options offered through the Exchange. The outcome of these research efforts will foster an understanding of the market for individuals, small group and public options as it exists today and develop a model of what may be expected in 2014.

Stakeholder Involvement

Decisions related to implementation of the Exchange will impact virtually every constituency in the state. Consequently, planning activities need to be open, inclusive, and participatory. Stakeholder involvement must be representative of the insurance industry, government, business community, medical professionals, advocacy groups, and the general population.

As noted in the introduction, Delaware has already established a Steering Committee comprised of public sector representatives. Many of these agencies already enjoy strong working relationships with partners in the private, non-profit, professional, and advocacy communities. Space prohibits an exhaustive list of stakeholder groups, but examples include:

- Representatives from the Delaware General Assembly
- Insurance industry representatives

- Medical Society of Delaware
- Federally Qualified Health Centers
- Small Business Council
- Delaware Healthcare Facilities Association
- Delaware Healthcare Association
- Institutions of Higher Education
- Chambers of Commerce
- United Way
- Governor's Advisory Councils
- Covering Kids and Families

Stakeholder groups will be invited to participate in work groups developed as part of the planning process. In addition, public or town-hall meetings will be scheduled to facilitate participation of the general public. Delaware's small size makes it feasible to hold public meetings at locations throughout the state, thereby increasing the opportunities for public participation.

Program Integration

Program integration is a critical component to realizing the vision of easily accessible, seamless, and uninterrupted health coverage for all citizens. This may require restructuring existing programs such as Medicaid and CHIP, developing new coverage options, and building new linkages between these programs and existing private coverage. New partnerships will need to be established with agencies such as the Department of Finance to plan and implement new components including subsidies and premium tax credits.

Consideration will need to be given to commonly defining eligibility criteria, uniform data sources, technology compatibility, and other issues which will be necessary to reduce the confusion and fragmentation which now create barriers to access.

Resources and Capabilities

The Delaware Exchange planning efforts will identify the resources necessary to support a Health Benefits Exchange. Specifically, this will include infrastructure and technology needs, staffing, resources required to maintain and enforce the governance structure, proper oversight of business operations and effective community outreach and education. An assessment of current resources will also be completed.

Analysis will include identification of new resource needs, areas where existing resources may be redirected toward new activities, and information technology resources necessary to achieve system integration goals. Contractor/consultant resources will be identified to leverage expertise and complement state resources.

Governance

Governance issues vary depending on the approach the state ultimately selects to offer a Health Benefits Exchange in Delaware. These issues range from relatively straightforward questions such as the organizational location of the Exchange, if it is State-run, to more complex issues of accountability and coordination necessary for the implementation of independently-administered or regional Exchanges.

Initial planning efforts will focus on identifying and articulating the governance requirements associated with each approach. This will include a review of health benefit exchanges that have been implemented in other states. Additional analysis will include an assessment of the Delaware environment (political, regulatory, etc.) that may influence the

decision-making process. Finally, the state will reach out to neighboring states to determine whether there is interest in pursuing a regional Exchange.

Finance

Key decisions will focus the financial sustainability of the Exchange. This may include options such as user fees or taxes imposed on Qualified Health Plans operating in the Exchange. Planning activities will identify potential revenue streams, evaluate operating models, and assess what financial models are appropriate for Delaware. Ideally, several viable models will be developed reflecting various levels of participation in the Exchange by both purchasers and payers. These can then be assessed with regard to feasibility of implementation and financial solvency.

Technical Infrastructure

Technical infrastructure will be a high priority of the Delaware planning effort. Technology, in general, and health information technology in particular, is evolving at an ever increasing pace and on many different fronts. Coordination of activities to realize the potential of health information exchange development, Medicaid Management Information System and Eligibility Determination redesign activities, and web-based solutions will be critical to the success of goals to promote access to meaningful, reliable information and streamlined enrollment processes.

Initial planning activities will include a review of existing systems in the state and promising solutions from other states to integrate Medicaid and Exchange activities and promote interoperability. This effort will build on the Medicaid Information Technology Architecture (MITA) self-assessment the state is currently undertaking, the development of web-based

consumer information resources in the Department of Insurance, and federal resources such as the www.healthcare.gov web portal.

Business Operations

Initially, operational issues will be addressed at the higher level necessary to make the key decision of if and how to proceed with implementation of an Exchange. Emphasis will be placed on defining viable Exchange options and the basic framework required for effective management of an Exchange.

Subsequent activities in the process will align with the recommended option for implementation. Building on analysis and recommendations from each of the planning content areas, concepts will be further defined into operational requirements for effective management of the Exchange. The result will provide the foundation for the draft implementation plan for the Exchange.

Regulatory or Policy Actions

The Health Benefit Exchange will represent a new “entity” for the State of Delaware. As such, there will be a variety of legislative and regulatory requirements for its establishment and definition of authorities, responsibilities, and accountability.

Initial planning will entail a review of existing statutes and regulations that may impact, either positively or negatively, Exchange implementation. Additional requirements mandated by the Affordable Care Act will be identified. The Steering Committee will make recommendations regarding the need for enabling legislation versus areas where regulatory action will be sufficient to address policy needs.

Initial focus will be placed on development of a legislative agenda that will establish both the necessary authority and required flexibility to proceed with whatever implementation option

is ultimately chosen. Timing of this deliverable is critical to enable enactment during the 2011 legislative session. Subsequent activities will be directed toward the development of a regulatory agenda to support implementation of the Exchange model resulting from this planning project.

The State of Delaware is cognizant of both the opportunities and challenges that lie ahead. Health Benefit Exchanges offer the promise of affordable, accessible coverage to individuals who currently lack insurance, are at-risk of losing insurance, or are underinsured. Successful implementation, however, requires collaboration among a variety of stakeholders to address complex regulatory, financial, technological, and governance issues in an expedited fashion. DMMA, as the designated lead agency, extends the commitment of the Delaware Health Care Reform Steering Committee and all its partner agencies to fully engage in a planning process that will produce meaningful deliverables to support informed decision-making and position the state to successfully offer the most appropriate Exchange option to the citizens of Delaware.